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FISCAL IMPACT REPORT

BILL

NUMBER: House Bill 167

SHORT TITLE: Notice Of Sale Of Mobile Home Parks

SPONSOR: Parajón/Royal Caballero

LAST UPDATE: _____ **ORIGINAL DATE:** 2/4/26 **ANALYST** : Graeser _____

REVENUE* (dollars in thousands)

Type	FY26	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
PIT	\$0	Indeterminate but minimal loss	Recurring	General Fund			

Parentheses indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
TRD	Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Recurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency or Agencies Providing Analysis

None

SUMMARY

Synopsis of House Bill 167

House Bill 167 (HB167) enacts a new section of the Mobile Home Park Act to require notice prior to the sale of a mobile home park and creates a new set of rights for mobile home park tenants when the mobile home park has been listed for sale. If 51 percent of the tenants wish to purchase the park at a price and with terms comparable to a third-party offer, the selling owner is required to negotiate in good faith a sale to those tenants. Comprehensive rules are established for procedures in this regard. Violations of the provisions of the bill could trigger civil penalties of up to \$100 thousand.

This bill also increases the amount of the capital gains income tax deduction for the sale of a mobile home park to residents from 40 percent with a limit of \$1 million to 50 percent with no limit.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, which is May 20, 2026. The capital gains provisions are applicable for tax years beginning on or after January 1, 2026.

FISCAL IMPLICATIONS

This bill creates or expands a tax expenditure with a cost that is difficult to determine but unlikely significant. Estimating the cost of tax expenditures *ex ante* is difficult. Confidentiality requirements surrounding certain taxpayer information create uncertainty, and analysts must frequently interpret third-party data sources. The statutory criteria for a tax expenditure may be ambiguous, further complicating the initial cost estimate of the fiscal impact. Once a tax expenditure has been approved, information constraints continue to create challenges in tracking the real costs (and benefits) of tax expenditures. LFC has serious concerns about the substantial risk to state revenues from tax expenditures and the increase in revenue volatility from erosion of the revenue base. The committee recommends the bill adhere to the LFC tax expenditure policy principles for vetting, targeting, and reporting or action be postponed until the implications can be more fully studied.

A typical mobile home park (MHP) is often valued around \$1 million, though prices range from under \$500 thousand for small, rural parks to over \$5 million for large, urban, or modern amenity-rich communities. A common valuation metric is \$12 thousand to \$30 thousand per pad or using a (7-10 percent) cap rate on net income, often calculating to roughly (70) times the monthly lot rent per occupied space.

Assume five sales a year at an average sale price of \$2 million. The 10 percent increase in deduction percentage results in increased deduction of \$200 thousand x 5 x 2.18 percent average PIT rate = (\$21.8 thousand). This can be considered minimal.

SIGNIFICANT ISSUES

Of note, mobile home parks are either POHs or TOHs. POH is park-owned homes and TOH is tenant-owned homes.

PERFORMANCE IMPLICATIONS

The LFC tax policy of accountability is met because TRD is required in the bill to report annually to an interim legislative committee regarding the data compiled from the reports from taxpayers taking the credit and other information to determine whether the credit is meeting its purpose. The tax expenditure will be included in the annual Tax Expenditure Report required by Section 7-1-84 NMSA 1978.

ADMINISTRATIVE IMPLICATIONS

Minimal for TRD.

OTHER SUBSTANTIVE ISSUES

In assessing all tax legislation, LFC staff considers whether the proposal is aligned with committee-adopted tax policy principles. Those five principles:

- **Adequacy:** Revenue should be adequate to fund needed government services.
- **Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
- **Equity:** Different taxpayers should be treated fairly.
- **Simplicity:** Collection should be simple and easily understood.
- **Accountability:** Preferences should be easy to monitor and evaluate

In addition, staff reviews whether the bill meets principles specific to tax expenditures. Those policies and how this bill addresses those issues:

Tax Expenditure Policy Principle	Met?	Comments
Vetted: The proposed new or expanded tax expenditure was vetted through interim legislative committees, such as LFC and the Revenue Stabilization and Tax Policy Committee, to review fiscal, legal, and general policy parameters.	✗	
Targeted: The tax expenditure has a clearly stated purpose, long-term goals, and measurable annual targets designed to mark progress toward the goals.	✗ ✗ ?	Implicit purpose is to encourage tenants to gather the resources to buy their mobile home pads
Transparent: The tax expenditure requires at least annual reporting by the recipients, the Taxation and Revenue Department, and other relevant agencies	✓	
Accountable: The required reporting allows for analysis by members of the public to determine progress toward annual targets and determination of effectiveness and efficiency. The tax expenditure is set to expire unless legislative action is taken to review the tax expenditure and extend the expiration date.	✓ ✗	
Effective: The tax expenditure fulfills the stated purpose. If the tax expenditure is designed to alter behavior – for example, economic development incentives intended to increase economic growth – there are indicators the recipients would not have performed the desired actions “but for” the existence of the tax expenditure.	?	This may be the only way to encourage park owners to negotiate sale with tenants.
Efficient: The tax expenditure is the most cost-effective way to achieve the desired results.	?	
Key: ✓ Met ✗ Not Met ? Unclear		